



Alfred A. DelliBovi
President

September 30, 2002

TO: All Stockholders
(individually addressed)

SUBJECT: Report for the Month

ADVANCE DEMAND REMAINS ON THE UPSWING

August 2002 was another month of strong advance growth at the Home Loan Bank, with a \$757 million increase in average advances to \$63.6 billion. After a one-month pause in February, the Bank has now experienced six consecutive months of advance growth. During this period, average advances have grown by \$4.5 billion, or almost 8%. The growth has been well distributed among advance products, with the adjustable, short-term, and repo/repo convertible categories each up by \$1 billion or more.

Total Bank assets averaged \$86.2 billion in August -- an increase of \$3 billion from June -- reflecting growth in advances and in the Bank's tightly controlled and managed investment portfolio.

Not unexpectedly, earnings in August continued to reflect the low interest rate environment, even as assets grew. Annualized net income (after the REFCORP expense) was \$211.5 million in August, up from July's \$208 million. The Home Loan Bank looks forward to continuing to deliver innovative, cost-effective services to our customers while returning a fair dividend.

THE BOARD TAKES A STRATEGIC LOOK AT THE COMING YEARS AND A SERIES OF KEY POLICY ACTIONS

At this month's Board meeting, the Board of Directors dedicated a great deal of time to shaping the Bank's Strategic Plan and took four specific policy actions concerning the new capital plan, dividend payout, securitization of the Home Loan Banks mortgage-purchase programs, and possible participation in advances among the Home Loan Banks.

"Member Value Plus"

At the meeting, the Board adopted "Member Value Plus" as the strategic framework for the Home Loan Bank. The components of the framework include access to liquidity, advantage pricing, CRA assistance, and an attractive dividend. In addition, the Board approved the Bank's management focus on those actions that will enable the Bank to continue to provide maximum utility for our members in a fluid environment; this is the "Plus" in the "Member Value Plus" equation.

Capital Plan and Future Dividends

The Board approved September 30, 2003, as the implementation date for the Bank's new permanent/risk-based capital plan. We will be reaching out to our members to provide detailed information regarding the transition. Educational meetings for our members will be held in April and May. The distribution of disclosure materials will be disseminated shortly thereafter.

To ease the transition to a risk-based capital structure, the Home Loan Bank has been retaining a portion of earnings. Our analysis now indicates that we possess sufficient retained earnings to meet our needs under the coming risk-based capital regime. Accordingly, the Board determined to pay out proportionally higher dividends. But let me quickly caution our stockholders that this is still a very low interest rate environment.

Recommendation Against Securitization of FHLB Mortgage Products Adopted

The Board of Directors voted to reaffirm its opposition to securitization of the Home Loan Banks' mortgage products, i.e., Mortgage Partnership Finance[®] (MPF[®]) and related products. The New York Bank opposes securitization because analysis indicates that MPF securitization will not be profitable to the Home Loan Banks. And even had the numbers been favorable, there is no need to securitize in the Second Home Loan Bank District because the New York Bank can handle MPF asset growth up to \$3 billion -- a level that the New York Bank will not hit for a number of years, given current trend lines.

Advance Participation Unworkable

The Board also considered the idea of participation in advances put forth by other Home Loan Banks as an alternative to limited multi-district membership. Analysis of the advance participation proposal presents very substantial regulatory and administrative barriers. Accordingly, the New York Bank remains in full support of limited multi-district membership. As expressed in past communications to decision-makers in Washington and to our stockholders, limited multi-district membership would maintain the balance and logic of the Home Loan Bank System, which is based on regional FHLBanks assisting housing finance in communities in their respective regions. We encourage the FHFB to take the actions that are needed to allow the Home Loan Banks to maintain strong local relationships in a regulatory structure to remain in step with the evolution of the financial service industry.

I would like to thank each customer and stockholder for his or her business.

Sincerely,

Alfred A. DelliBovi
President